Supreme Court, U.S.
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No. 02-1007

IN THE

Supreme Court of the United States

DUKE UNIVERSITY,

Petitioner,

v.

JOHN M. J. MADEY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

SUPPLEMENTAL BRIEF FOR PETITIONER

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INTRODUCTION

The United States never suggests that the Federal Circuit's decision is correct, nor, for that matter, does it even attempt to defend the Federal Circuit's rationale. Instead, it argues that the petition for certiorari should be denied for a series of wholly unsatisfactory reasons.

First, the United States contends that the decision "does not directly conflict with prior precedent" because the opinion relies on "legitimate business" language from a prior Federal Circuit decision.[1] The court of appeals took this prior, extraneous language completely out of context, however, and applied it in a manner that turns the experimental use exception on its head. Under the Federal Circuit's decision, research universities cannot invoke the experimental use exception because they are involved in educating and enlightening students and faculty. The determinative factor under prior precedent was the commercial nature of the allegedly infringing activity, not the educational status of the user.

Second, the United States suggests that "the procedural posture of this case will afford the lower courts with an opportunity on remand to clarify the scope of the experimental use defense after further factual development." U.S. Br. at 1. The Federal Circuit's decision, however, effectively forecloses Duke from mounting an experimental use defense on remand because, as the Federal Circuit unequivocally determined, Duke's legitimate business includes educating and enlightening its students and faculty. Contrary to the suggestion of the United States, moreover, further factual development is unnecessary under the appropriate standard. The summary judgment record is clear as to Duke's use of the patented FEL equipment, and shows that Duke has made no commercial use of the patents at issue in this case.

Third, the United States simply cannot explain away the importance of this case or its potentially devastating impact on

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1. Brief for the United States as Amicus Curiae ("U.S. Br."), at 1.

the university research community. *See* U.S. Br. at 14-15. The Federal Circuit's decision has upset a legal principle that has been relied upon by university researchers for decades: specifically, that non-commercial, basic scientific research falls within the experimental use exception. Unless the Court acts now to restore the experimental use exception to its proper bounds, university researchers will have to alter their ongoing research efforts immediately in response to the Federal Circuit's new standard.

Finally, the United States invites the Court to dodge the issue presented by this case because Duke's "policy concerns . . . may be better suited for legislative rather than judicial consideration." *Id.* at 1. Duke is not asking the Court to make a "policy" decision. It is asking the Court to declare what the law is, an act which, at least from the time of *Marbury v. Madison*, 5 U.S. 137 (1803), has been exclusively in the province of the judiciary. *See* 5 U.S. at 177. Only after the Court has spoken should Congress have reason to consider whether a policy change is in order.

ARGUMENT

I. THE FEDERAL CIRCUIT'S DECISION TURNED THE EXPERIMENTAL USE DOCTRINE ON ITS HEAD AND HAS FORECLOSED UNIVERSITY RESEARCHERS FROM RELYING ON THE DEFENSE.

The United States vainly attempts to rationalize the obvious conflict between the Federal Circuit's decision and prior case law. *See* U.S. Br. at 6-12. It cannot alter the simple fact, however, that the Federal Circuit conclusively decided that research universities may no longer rely on the experimental use exception to patent infringement liability – regardless of the specific nature of their activities – because it is their "legitimate business" to educate and enlighten. *See* App. at 25a.

The Federal Circuit overemphasized and misconstrued extraneous language from *Pitcairn v. United States*, 547 F.2d 1106 (Ct. Cl. 1976), to create a new and unprecedented

experimental use test. In *Pitcairn*, the Court of Claims unremarkably concluded that testing of recently purchased aircraft by the United States is not covered under the common law experimental use exception to patent infringement liability. *See id.* at 1125-26. The result in that case cannot be questioned; the defendant had attempted to pass off its ordinary tests of new equipment as the type of "philosophical experiments" that satisfy the common law exception. The *Pitcairn* court succinctly disposed of the defendant's specious argument, stating: "Tests, demonstrations, and experiments of such nature are intended uses of the infringing aircraft manufactured for the defendant and are in keeping with the legitimate business of the using agency." *Id.*

The Federal Circuit seized upon the *Pitcairn* court's "legitimate business" language and applied it as though it were an independent requirement of the experimental use exception rather than simply language explaining why the tests at issue in *Pitcairn* were not the types of experiments covered by the exception. As a result, under the Federal Circuit's decision, to be entitled to the exception, a party must be engaged in "philosophical experiments" but it cannot be in the "business" of conducting "philosophical experiments." To satisfy the Federal Circuit's new test, an alleged infringer must show: (1) that its infringing acts were not "in furtherance of [its] legitimate business" ***and*** (2) that its infringing acts were "solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry." App. at 26a. On remand, unless Duke can satisfy ***both*** prongs of the new test, it will not be exempted from patent infringement. *See id.* ("So long as the act is in furtherance of the alleged infringer's legitimate business and is not solely for amusement, to satisfy idle curiosity, or for strictly philosophical inquiry, the act does not qualify for the very narrow and strictly limited experimental use defense.").

In fact, the Federal Circuit already has decided that Duke ***cannot*** satisfy its new test because Duke fails under the first prong. The Federal Circuit unequivocally stated that the "legitimate business objectives" of a "major research university,"

including Duke, "include[es] educating and enlightening students and faculty . . . ." App. at 25a. Because any act by Duke in using the patented laser equipment will necessarily further its "business" of educating and enlightening its students and faculty, Duke essentially is foreclosed from relying on the experimental use exception on remand.

Significantly, the Federal Circuit's new standard is in direct conflict with a clear line of case law which, since 1813, has looked to the commercial versus non-commercial nature of the use, and not the status of the user, to determine whether the patent infringement exemption applies. *See, e.g.*, *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391) ("[For] the making of a patented machine to be an offence within the purview of [the patent laws] must be the making with an intent to use for profit, and not for the mere purpose of philosophical experiment, or to ascertain the verity and exactness of the specification."); *Poppenhusen v. Falke*, 19 F. Cas. 1048, 1049 (C.C.S.D.N.Y. 1861) (No. 11, 279) (considering it "well settled" that "an experiment with a patented article for the sole purpose of gratifying a philosophical taste, or curiosity, or for mere amusement, is not an infringement of the rights of the patentee"); *Ruth v. Stearns-Roger Mfg. Co.*, 13 F. Supp. 697, 703 (D. Colo. 1935) (explaining that use of patented parts "in laboratory machines used for experimental purposes" was not infringing use), *rev'd on other grounds*, 87 F.2d 35 (10th Cir. 1936); *Roche Prods., Inc. v. Bolar Pharmaceutical Co.*, 733 F.2d 858, 863 (Fed. Cir. 1984) ("We cannot construe the experimental use rule so broadly as to allow a violation of the patent laws in the guise of 'scientific inquiry,' when that inquiry has definite, cognizable, and not insubstantial commercial purposes."); *Embrex, Inc. v. Service Eng'g Corp.*, 216 F.3d 1343, 1349 (Fed. Cir. 2000) (finding that defendant's tests were not immunized from patent infringement liability where the acts were performed "expressly for commercial purposes"). The Federal Circuit's departure from settled precedent has, indeed, produced an "anomalous and untenable result." U.S. Br. at 10.

II. THE FEDERAL CIRCUIT'S REMAND ORDER IS PURELY MINISTERIAL.

The Federal Circuit has already sealed Duke's fate in this matter. Although the Federal Circuit, consistent with the usual practice of appellate courts, remanded the case to the district court rather than entering summary judgment for the non-moving party, there is nothing for the district court to do on remand. The Federal Circuit explicitly found that Duke's "legitimate business" is educating and enlightening students. There is no need for the district court to examine the nature of Duke's actual research activities because Duke is foreclosed from relying on the experimental use exception under the first prong of the Federal Circuit's new experimental use standard.

The United States suggests that remand is necessary to allow for expansion of the record. *See* U.S. Br. at 17. The parties had a full opportunity to present evidence of Duke's use of the patented device, however, and Dr. Madey failed to present any evidence that Duke used it for commercial reasons. The Federal Circuit, moreover, did not state that the record required further development on the experimental use issue. *See* App. at 21a-26a. In fact, the record was complete enough for the Federal Circuit to make a *de novo* determination that "Duke's acts appear to be in accordance with any reasonable interpretation of Duke's legitimate business objectives." App. at 26a. Because the Federal Circuit's pronouncement on the scope of the experimental use defense is clear and final, the case is ready for this Court's review. *See Pharmaceutical Research & Mfrs. v. Walsh*, No. 01-188, slip op. at 14 (U.S. May 19, 2003) (plurality opinion); *cf. Goodyear Atomic Corp. v. Miller*, 486 U.S. 174, 180-81 (1988) (following the "'pragmatic approach' to questions of finality" for the purposes of granting certiorari) (citing *Cox Broadcasting Corp. v. Cohn*, 420 U.S. 469, 486 (1975)).

III. THIS CASE INVOLVES AN ISSUE OF PARAMOUNT NATIONAL IMPORTANCE.

The United States insists that the experimental use exception has played only a "minor role" through its "modest existence"

in case law. U.S. Br. at 7. The dearth of patent infringement suits against universities merely demonstrates that patent holders have recognized the traditional exception. The Federal Circuit's decision changes all that. The experimental use exception is anything but minor to research universities, which have relied on it to establish and maintain their research and educational programs. The United States did not, and cannot, refute that "[u]niversities will be forced to bear substantial administrative and financial costs to cover patent searches, infringement opinions, licensing agreements, and the inevitable litigation that will be engendered by the Federal Circuit's new rule of patent law."[2] Indirectly, the public at large will also suffer the negative repercussions of the Federal Circuit's decision.[3] This case is one of national importance, and warrants review by this Court. *Cf. Pharmaceutical Research*, No. 01-188, slip op. at 2 (describing a law that would "impose[] a significant burden on Medicaid recipients by requiring prior authorization in certain circumstances without serving any valid Medicaid purpose, and that . . . effectively regulates out-of-state commerce" by nonresident drug manufacturers as presenting questions "of national importance").

Similarly, the United States' attempt to downplay the potential impact of the Federal Circuit's decision on research universities cannot withstand scrutiny. *See* U.S. Br. at 14-15. First, the United States suggests that the "first sale" doctrine will still protect research universities from patent infringement claims for their use of commercially purchased laboratory equipment and biological and chemical agents. *See id.* at 14. The first sale doctrine, however, will hardly fill the void left by the Federal Circuit's disruption of the experimental use

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2. Brief for Association of American Medical Colleges, *et al.*, as *Amici Curiae* in Support of Petitioner, at 3.

3. *See generally* Brief of *Amici Curiae* Consumer Project on Technology and Public Knowledge in Support of Petition for Writ of *Certiorari*, at 7-8.

exception.[4] Specifically, its application is limited to the sale of tangible patented items. *See generally United States v. Univis Lens Co.*, 316 U.S. 241, 251 (1942) ("Our decisions have uniformly recognized that the purpose of the patent law is fulfilled with respect to any particular article when the patentee has received his reward for the use of his invention by sale of the article . . . ."). Basic scientific research at universities, however, is dependent on patented methods and processes, not just patented equipment.

Second, the United States suggests that, because industrial researchers have been able to function without the benefit of the experimental use exception, university researchers can similarly adapt and flourish. *See* U.S. Br. at 14. The United States, however, cites no evidence that industrial concerns, unlike research universities, have relied on the experimental use exception. Furthermore, although the economic incentives of industrial research may justify the significant up-front expenditures needed to work through the patent "due diligence" and licensing process, the same may not be true for basic scientific research. There is no certainty, therefore, that basic scientific research will be able to continue on a consistent course if the Federal Circuit's opinion is allowed to stand.

Third, the United States contends that the restrictions of the patent monopoly are, in essence, a necessary evil of the patent laws, to which university researchers have no choice but to submit. *See id.* at 14-15. The United States argues that the

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4. Moreover, as this case has shown, even universities that hold clear title to patented equipment are not immune from allegations of infringement. The Department of Defense, in an exhaustive property audit conducted through the auspices of the Office of Naval Research ("ONR"), has concluded that Duke owns the Mark III FEL. The ONR's property report, which is part of the record in this case, conclusively rebuts the suggestion by the United States that the Department of Energy owns this equipment. *See* U.S. Br. at 2 n.1. Despite the fact that Duke holds title to the Mark III, Dr. Madey still asserts that the university does not have a right to practice the patented technology embodied in the laser equipment.

restrictions of the patent laws are common to all who seek to use patented devices and research tools, "regardless of the use to which the invention will be put." *Id.* at 15. The experimental use exception, when properly construed and applied, flatly contradicts this statement. A person or entity that uses a patented invention for "philosophical experiment or to ascertain the verity and exactness of the specification," is not restricted by the patent monopoly, and may practice the patent for those limited purposes. *Sawin v. Guild*, 21 F. Cas. 554, 555 (C.C.D. Mass. 1813) (No. 12,391). The United States also appears to be overly solicitous of the interests of the patentee. It recognizes that a patent "bargain" is inherent in the Constitution, but then isolates the need to protect the patent monopoly as the sole means of achieving that balance. *See* U.S. Br. at 8. The patent bargain, however, is just that – a bargain; the inventor's monopoly is not absolute. *See United States v. Masonite Corp.*, 316 U.S. 265, 278 (1942) ("[T]he promotion of progress and science and the useful arts is the 'main object' [of the patent system]; reward of inventors is secondary and merely a means to that end.") (citing *Pennock v. Dialogue*, 2 Pet. 1, 19 (1829)).

Finally, the United States erroneously argues that Duke is seeking to expand the common law experimental use exception to broadly cover all university research activities. *See* U.S. Br. at 5, 15. This is not the case. Instead, Duke simply wants the benefit of the same patent infringement exception that is available to non-educational research entities. Duke, therefore, is requesting that the Court review this case and clarify that educational research institutions are not ***foreclosed*** from relying on the experimental use exception simply because they are "in the business" of education and enlightenment. Otherwise, the Federal Circuit's decision promises immediate, detrimental effects on university research nationwide.

IV. THE COURT, NOT CONGRESS, SHOULD DECIDE THIS ISSUE.

Duke is not seeking review by the Court to elicit "a more robust" experimental use exception. *See* U.S. Br. at 5. It is,

however, seeking clarification of the proper scope of the exception and reasoned guidance as to how this long-standing common law doctrine applies to its free electron laser research activities. The United States' pessimistic view "that a 190-year-old, judge made defense with little rooting in any statutory text could [not] anticipate the challenges of the modern academic and research environment and adequately accommodate the competing policy concerns raised by the parties in this case," U.S. Br. at 16, ignores the prominent role of courts in interpreting, applying, and developing intellectual property law. *See, e.g., Roche Prods., Inc. v. Bolar Pharmaceutical Co., Inc.*, 733 F.2d 858, 861 (Fed. Cir. 1984) ("Because Congress has never defined use, its meaning has become a matter of judicial interpretation."); *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 26 (1997) (explaining the judicially created doctrine of equivalents).[5] It is now time for the Court to delineate the proper contours of the experimental use defense to cases of university research.[6] *See Marbury v. Madison*, 5 U.S. 137, 177

5. *See generally* Pierre N. Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105 (1990) (discussing the judicially created fair use exception to copyright infringement). The fair use doctrine, which is analogous to the experimental use exception, is a telling example of the critical role of courts in developing this area of intellectual property law. Although the fair use doctrine, whose genesis also is traced to Justice Story, was eventually codified in 1976, Congress still "intended that courts continue the common-law tradition of fair use adjudication." *Campbell v. Acuff-Rose Music, Inc.*, 510 U.S. 569, 577 (1994) (citations omitted). This reflects the fact that determining fair use, much like experimental use, "calls for case-by-case analysis." *Id.* (citations omitted). The United States, therefore, is misguided if it believes that Congress will be in the best position to address, in one legislative act, all the potential issues that may arise under the experimental use exception.

6. The United States points out that Congress has not yet codified the experimental use exception. *See* U.S. Br. at 16-17. If such inaction is persuasive on any point, it should be read to imply congressional acquiescence in and agreement with existing case law. *Cf. Warner-*

(Cont'd)

(1803) ("It is emphatically the province and duty of the judicial department to say what the law is. Those who apply the rule to particular cases, must of necessity expound and interpret that rule.").

CONCLUSION

The Court should grant the petition for writ of certiorari to the United States Court of Appeals for the Federal Circuit.

Respectfully submitted,

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(Cont'd)

Jenkinson, 520 U.S. at 28 ("Congress can legislate the doctrine of equivalents out of existence at any time it chooses."). Indeed, the absence of congressional action on this issue can be attributed, at least in part, to Congress's reliance on the stability of the common law experimental use doctrine. *See* H. Rep. 101-960, Part 1 (1990) (explaining that a statutory provision to include an experimental use exemption to the transgenic animal patent bill (H.R. 4970) had been deleted because ***"an exemption already existed in the patent case law"***) (emphasis added).